



## Energy Reliability in Michigan's Upper Peninsula

On Sunday, April 1, 2018, a cargo vessel crossing the Straits of Mackinac dropped anchor striking Enbridge's Line 5 liquids pipeline and American Transmission Company's (ATC) electric transmission cables. There was no release from Line 5, however, ATC's cables were damaged, tripped offline, and leaked mineral-based oil used as a coolant into the Straits. The U.S. Coast Guard and MDEQ led response and cleanup efforts. MDEQ has determined that the spill is not likely to have significant environmental or health implications.

The damage caused by the anchor strike has left the Upper Peninsula (UP) with a limited electrical connection to the Lower Peninsula. Electric reliability in the Eastern UP could be compromised should another incident occur, so MAE and MPSC are working with the electric utilities and transmission utilities in the state to ensure a stronger connection is established in the most cost effective and long-term beneficial way.

### Other Recent Updates

Also recently, three new pipeline approvals were granted, three new generation units are to be built, an informative transmission exploratory study was completed, and System Support Resources (SSRs) rebilling of refunds and surcharges were ordered.

Finally, an Energy Waste Reduction plan to expand energy efficiency opportunities for UP energy customers is being developed with Upper Michigan utilities and communities.

### System Support Resources (SSRs)

Power plants in the UP that have been defined as SSR units in recent years include the Presque Isle Power Plant (PIPP) and plants in Escanaba and White Pine. Since 2012, the UP has had at least one active SSR every year, but none since the end of 2016.

### Paying for SSRs

One of Michigan's largest criticisms of SSR unit compensation is that the federal government sets the SSR charges based on annual plant operating costs, excluding all input from the people who pay the bills. This has resulted in generation owners receiving millions

of dollars above their real costs in SSR payments. For instance, the Midcontinent Independent System Operator (MISO), which operates the interstate transmission grid, accepted figures from Wisconsin Electric Power Company (WEC), the owner of PIPP, without input from others. This resulted in the state and other interested stakeholders challenging the SSR expenses through costly proceedings at the Federal Energy Regulatory Commission (FERC). MISO now agrees that the process of determining SSR charges at FERC should be more transparent and inclusive.

### Customer Impacts

As part of an agreement negotiated with Michigan in 2015, SSR payments for PIPP were stopped. Michigan has continued to litigate past charges related to the PIPP SSR, as well as SSR payments for the Escanaba and White Pine plants. In the current FERC contested docket (ER14-2952), FERC reviewed and ruled on the costs to keep PIPP operating for reliability. FERC agreed with the Michigan parties that PIPP's owner, WEC, massively overcharged customers for the cost of operating the plant. FERC then directed MISO to make refunds and surcharges based upon a reduction of \$23 million in SSR costs already recovered. At the end of last year, MISO proposed all refunds and surcharges be done in one month, December 2017. Again the Michigan parties opposed this one-month period. FERC subsequently agreed that one month was too short and required the refunds and surcharges to be completed over ten months. The Michigan parties also requested a legal stay from FERC due to the ongoing court cases for other Upper Peninsula SSRs. Michigan parties and customers are still waiting on court decisions to determine what percentage of over-collected SSR costs will be allocated to them.

### Better Solutions

Designating a power plant as an SSR is not the most cost effective solution to supply reliable energy in the UP. The Michigan Agency for Energy (MAE) supports a proactive approach to eliminating the need for SSRs altogether by comprehensively planning for the UP's energy needs. This involves MAE, MPSC, and MISO

working together with other stakeholders to identify short and long-term solutions to minimize the cost burden to UP customers, whether they be new generation, transmission, and/or other solutions. The MAE and MPSC also worked with MISO on a transmission study to examine the benefits and costs of a more robust connection between Michigan's two peninsulas and the Province of Ontario. The results published in December 2017 showed that none of the transmission options studied were economically feasible. However, one of the better solutions identified was locating a new natural gas power plant in the UP's Chippewa County.

### **Three New Facilities to Replace PIPP**

The MPSC approved a certificate of necessity submitted by Upper Michigan Energy Resources Corporation (UMERC) to build two power generation plants at a total cost of \$277,200,000 in October 2017. UMERC chose the two sites; one in Negaunee Township and a smaller one in Baraga Township, because of their proximity to natural gas pipelines, electric transmission, and roadways. UMERC will build two reciprocating internal combustion engine (RICE) electric generation facilities that will provide a total of 183 MW of power, to serve the Tilden Mining Company and non-mine customers. Operation is expected to begin at both sites by mid-2019, and be in operation for 30 years.

The Commission also approved a special contract with Tilden Mining. The contract allocates 50% of the capital cost, and all of the fixed and variable operations and maintenance expenses of the Baraga and Negaunee generators to Tilden to meet its daily power needs. Once construction is complete, PIPP will close. The third proposed generation facility, a 138 MW wind farm owned and operated by Summit Lake Wind will also be located in Baraga County. The Baraga and Negaunee electric generation facilities will be fueled by natural gas from the Northern Natural Gas Company's interstate pipeline. The MPSC also approved requests by SEMCO Energy. to build two gas pipelines to serve the UMERC plants:

The Baraga Pipeline:

- Will run 4½ miles
- Pipeline will be routed within a Michigan Department of Transportation right-of-way along M-38 and on UMERC property.

The Negaunee Pipeline:

- Will run 2,000 feet
- It will be located on UMERC property and won't affect wetlands.

### **Certified Natural Gas Pipeline by SEMCO**

A settlement agreement was approved by the MPSC in August 2017, allowing SEMCO Energy to build a 43 mile natural gas pipeline.

The Marquette Connector Pipeline:

- Will be built between Wells Township and Marquette, The anticipated in-service date is Summer of 2020.
- costs are estimated to be between \$135-\$140 million for this major pipeline.

### **Propane**

The MAE has useful tips on selecting a propane provider. The consumer tip sheet "Selecting a Propane Provider" covers pricing agreements, delivery arrangements, fees and other charges, the pros and cons of renting and owning a propane tank, contracts, and a list of helpful questions to ask before signing a contract. While propane prices are not regulated, MAE does monitor supplies and make available weekly, statewide average residential prices on its website during the heating season.

Visit [www.michigan.gov/propane](http://www.michigan.gov/propane) for more information.

### **Michigan Petroleum Pipeline**

Primary regulatory responsibility for the safety of interstate gas and oil pipelines rests with the Federal Pipeline and Hazardous Materials Safety Administration. Additional information about Michigan pipelines can be found at:

[www.mipetroleumpipelines.com](http://www.mipetroleumpipelines.com).

Enbridge has filed all required state permit applications seeking all necessary approvals to replace its St. Clair River Crossing; approvals are needed by the State of Michigan and U.S federal agencies, including the Army Corp of Engineers. Enbridge will continue to advance this replacement project and undertake field surveys and studies to prepare the National Energy Board and U.S. federal applications. It will provide another progress update in the spring of 2018 on the Line 5 Pipeline below the Straits of Mackinac in a meeting scheduled in May.